

Nina Krammer ([00:43](#)):

Welcome back, Marianne. It's so great to see you again. It's 2023. It's been a while since our last episode and I'm looking forward to what we have to talk to about today.

Marianne Steger ([00:53](#)):

Yeah. Happy New Year. A little, uh, a little late. Hope you had a great holiday season! I'm excited about this podcast. We're gonna talk about some great savings for retirees.

Nina Krammer ([01:08](#)):

Yeah. Marianne, it looks like we had some significant legislation pass at the end of 2022. Do you wanna talk about

Marianne Steger ([01:14](#)):

That? Yeah, and what I'm talking about, uh, Nina is the Inflation Reduction Act. Okay. A lot of people call it the IRA. Um, so this is a law that Congress passed and President Biden signed into law and it really made some significant reductions to healthcare costs, mostly for Medicare retirees, but also for early retirees. Not yet enrolled in Medicare.

Nina Krammer ([01:37](#)):

The legislation should lower drug costs for Medicare recipients significantly, and for people not yet enrolled in Medicare, but do by health coverage through the individual marketplace, they continue to receive the increased premium tax credit. But before we move on to Medicare, let's first talk about those who are not yet eligible for Medicare.

Marianne Steger ([01:57](#)):

Great. So Nina, you may remember, and I'm pretty sure we did a podcast episode about, uh, the passage of the American Rescue Plan Act. And what that did was it expanded the premium tax credit, also referred to as a subsidy, uh, for people to pay their premium for individual plans, uh, on the Affordable Care Act exchanges.

Nina Krammer ([02:20](#)):

I think the term premium tax credit can be confusing for some of our listeners. It's a subsidy, right? Basically just a dollar amount that the federal government offers the enrollee to offset the premium cost at the point of purchase.

Marianne Steger ([02:33](#)):

Yeah. And that's what's really important. It's at the point of purchase, when they pay their premium, it is reduced by this subsidy or premium tax credit. Uh, so yes, you've got it exactly right. And you know, the reason why the IRA was so important is that there used to be a cap applied on how much of a subsidy Americans could get. And it was based on if you were earning below 400% of the poverty limit, you are eligible for this subsidy. Well, what the American Rescue Act did, and now the Inflation Reduction Act has continued, at least for three more years, is a substantial increase in the amount of subsidies for Americans who enroll an individual or family health insurance plans through an exchange. It basically means that Americans will not pay any more than 8.5% of their income towards a healthcare premium. And you know, that's real savings for Americans. They were due to expire at the end of last year, 2022.

Um, but the IRA passage expanded them for three more years until 2025. And, you know, kind of the hope is that once it's been around that long, it will keep getting extended or maybe put into permanency, but that's obviously takes an act of Congress.

Nina Krammer ([03:52](#)):

Marianne, that could be real dollar savings for Americans who are not in an employer's group sponsored plan. By real dollar, I mean that its value keeps pace with inflation, for example, since the subsidy is tied to a percentage of a person's income and if the premium then goes up, the retiree would get an even bigger subsidy.

Marianne Steger ([04:12](#)):

Yeah, that's exactly right, Nina. Uh, and that's why this is such a great change. You know, it really does allow Americans to keep up with medical inflation. And we often talk about how in many group plans, particularly retiree group plans, there's often a set dollar cap on the subsidy that an employer provides. And so as the premium goes up, the retirees cost goes up because that cap generally does not increase. Well, it's exactly the reverse, uh, for individual and family plans on the exchange. The subsidy will go up if the premium goes up. So that's, that's a really nice benefit to have. It's something we typically don't see in the group setting.

Nina Krammer ([04:52](#)):

Oh, that makes sense to me. Thanks. Now that we're clear on the change for Pre-Medicare folks, let's talk about the changes for Medicare retirees over on the drug side.

Marianne Steger ([05:02](#)):

Yeah, so there are a number of changes starting with this year, 2023. For example, all vaccines for enrollees in Medicare are now at no cost to them. Um, additionally, all insulin costs are capped at \$35 per prescription. You know, this is significant savings as some of these insulin prescriptions were upwards of three or \$400 per month. So that's real dollars putting up back into retirees pockets.

Nina Krammer ([05:31](#)):

That sure is significant and will help a lot of people. I've also read that in 2024, the Inflation Reduction Act eliminates the 5% co-insurance cost for retirees once they hit the catastrophic phase for their prescription drug coverage.

Marianne Steger ([05:47](#)):

Yes. And this is big change for not a lot of people, but for those people who have very expensive drugs, often diabetics or others who take expensive injectable or specialty drugs, this will save them a lot of money. To be clear, this is a phase of Part D drug plans that retirees hit after they have spent a certain amount in total out of their pockets. And it also includes the drug discounts that were applied. So when retirees hit that dollar amount and, and Nina, it changes every year, um, when they hit that amount, they then enter what's called the catastrophic phase. And their obligation is only 5% of the cost of that medicine. Um, but these medicines are very expensive. So think about it. Uh, if you're taking a injection that's maybe a thousand dollars a dose and you take it, um, once a week, that's a lot of money. So 5% of that could really add up to a lot. So eliminating this phase will be really big benefits for retirees starting in 2024.

Nina Krammer ([07:03](#)):

And in 2025 it gets even better for Medicare retirees when it comes to reducing drug costs.

Marianne Steger ([07:10](#)):

Yeah. And another really great thing is starting in 2025, retirees prescription out-of-pocket drug costs will be capped at \$2,000 per year. Another very significant savings for retirees.

Nina Krammer ([07:23](#)):

And we all know the prices of drugs in the US are amongst the highest in the world. Can you tell our listeners about some of the changes in the actual pricing of drugs that came about through the passage of the IRA?

Marianne Steger ([07:35](#)):

Yeah. You know, for years Medicare was prohibited from negotiating drug prices, something that, uh, pharmacy benefit managers have been able to do for years, but Medicare couldn't. However, starting in this year, 2023 negotiations will start over 10 Medicare approved Part D drugs. And the new negotiated prices for those drugs will go into effect on January 1st, 2026. And in future years, the Centers for Medicare and Medicaid will continue these negotiations with 15 more drugs up for negotiations in 2027, another 15 and 2028, and then thereafter 20 more drugs will be up for negotiations each year after that. So we're really hoping this should bring about some more drug price reduction for seniors.

Nina Krammer ([08:25](#)):

So all of these drug price reductions only apply to people who are on Medicare. Correct?

Marianne Steger ([08:30](#)):

That's absolutely true.

Nina Krammer ([08:32](#)):

Well, this is some very exciting news for retirees who are looking forward to saving some healthcare dollars.

Yeah, Nina. And you know, it is important to note that the rules, uh, to implement these, uh, changes are still in the process of being written. And of course we will, uh, share updates, uh, about, uh, the changes the IRA brought about in future podcasts. Uh, if there's any changes that are significant to how it's being implemented.

Nina Krammer ([09:57](#)):

I certainly look forward to seeing how that continues to take shape. Healthcare, especially in America, is such a fascinating subject.

Marianne Steger ([10:06](#)):

Yes, it is. It's always changing and it's what keeps my brain young is studying all those changes. Well, that's a wrap for this episode. Tune in next time when we talk about more new legislation with the Helps Law, which is healthcare enhancement for local public safety. See you next time.